

**BOARD OF TRUSTEES FOR THE
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
MINUTES OF MEETING**

February 18, 2020

The Board of Trustees for the Maryland State Retirement and Pension System met in the Board Room of the SunTrust Building, 120 East Baltimore Street, 16th Floor Board Room, Baltimore, Maryland beginning at 9:30 a.m.

The Trustees present included:

Nancy Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
David Brinkley
Eric Brotman
Jamaal Craddock
Kenneth Haines
David Hamilton

Linda Herman
Sheila Hill
F. Patrick Hughes (via phone)
Charles Johnson (via phone)
Richard Norman
Douglas Prouty
Michael Stafford, Jr.

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary

Victor Adekoye
Anish Bedi
Robert Burd
Antionette Butcher
Melody Countess
Eric Farls
Anne Gawthrop
Michael Golden
Dimitri Grechenko

Angie Jenkins
Faina Kashtelyan
Greg Kasten
Larry Katsafanas
Michael McCord
Kyongdo Min
Steven Muturi
Kim O'Keeffe
Ashu Pal

Andrew Palmer
Steve Reilly
Ken Reott
David Rongione
Janet Sirkis
Beau Smith
Toni Voglino

Assistant Attorneys General present included: Rachel Cohen, Alexander Harisiadis, and Jody Shaw

Other attendees included: Michael Barry, Justin Hayes, Stephen Kitsoulis and Monte Tarbox

2020 Legislative
Bill Review

Ms. Anne Gawthrop provided the Board of Trustees an overview of the 2020 pension related legislation introduced to the General Assembly to date. See *Attachment A*.

Ms. Gawthrop reported specifically on the following bills, which required action by the Board:

- House Bill 1101 – State Retirement and Pension System – Financial Reporting.

This proposed legislation would require the Board to publish an additional CAFR, report to the General Assembly its quarterly returns for each year and hire an additional consultant to assess the capital market assumptions made by the Investment Division staff or another System investment consultant.

Ms. Gawthrop reported that staff is recommending that the Board oppose this legislation as the majority of the information required under this legislation is already available. Additionally, as drafted the bill would require the Board to publish a second CAFR and hire an additional consultant to review the work of the Investment Division staff and the Board's existing consultant, which staff believes are unnecessary expenses to the Trust.

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A motion was made by Mr. Haines and seconded by Mr. Noman to accept staff's recommendation and oppose the legislation.

Ms. Herman asked about the System's Actuary (GRS) and its role in assisting the Board in making economic assumption decisions. Ms. Herman also asked if the bill was requiring a second CAFR and not just requesting additional information for the current CAFR.

Ms. Gawthrop responded that she would speak with the sponsor as to his intent in this regard. She confirmed that GRS does provide the Board with the capital market forecasts of up to 10 consulting firms when the System's actuarial economic assumptions are under review for possible adjustment. Ms. Gawthrop also responded that the bill requires an "on-staff" consultant not just an annual reporting.

Mr. Hughes commented that the bill needs to be monitored by staff.

Ms. Herman commented that the information that is to be disclosed should already be disclosed in our CAFR.

Secretary Brinkley asked if the sponsor could be provided with all of this information and asked to withdraw the bill.

Ms. Gawthrop responded that she would speak with the sponsor.

➤ **House Bill 1254 – State Retirement and Pension System – Investment Management Fees**

This proposed legislation would cap external investment management fees in a fiscal year to .2% of the market value of the fund on the last day of the fiscal year. This cap would not apply to investment manager agreements entered into on or before June 30, 2020. The bill prohibits the Board from entering into agreements on or after July 1, 2020 with external management services that would pay fees for unrealized investment gains. The bill also includes language that states it is the intent of the General Assembly that the Board shall utilize low-fee, passive investment strategies in the management of system assets, consistent with its fiduciary responsibilities.

Ms. Gawthrop reported that this bill is almost identical to the sponsor's bill from last year except that the fee cap is smaller. Therefore, consistent with last year's recommendation, staff is recommending that the Board oppose this legislation.

A motion was made by Mr. Hughes and seconded by Mr. Brotman to oppose the legislation.

Ms. Herman asked if we could also meet with the sponsor of this bill.

Ms. Gawthrop responded that she was working to get a meeting scheduled.

Mr. Hughes withdrew his motion to oppose the legislation.

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- House Bill 778/Senate Bill 1004 and House Bill 1310/Senate Bill 1004 – Correctional Officers’ Retirement System – Membership

Ms. Gawthrop reported that the bills concerning membership in the Correctional Officers’ Retirement System have been amended to include only Case Managers and to remove food service and maintenance workers. Once staff receives job descriptions for the Case Managers, we will send that information to Tax Counsel to determine if those positions are comparable to positions currently in CORS as qualified correctional officers.

On a motion made by Mr. Norman and seconded by Mr. Haines, the Board voted to approve staff’s recommendations to ask the System’s tax counsel to determine if it believes these employees would qualify as correctional officers.

- House Bill 401 – Public Information Act – Remote Access, Fee Complaints, Fee Waivers, and Inspection of Judicial Records (Open Government, Better Government Act).

This proposed legislation would require the official custodian to waive any fees, under the Public Information Act, that are not standard charges for document production. In other words, the custodian would be required to waive fees for the staff time required to produce any documents requested under the Public Information Act by any representative of the news media

On a motion made by Mr. Norman and seconded by Mr. Prouty the Board voted to approve staff’s recommendation to oppose this legislation.

Recommendation
of the Ad Hoc
Committee on
Governance and
Strategic
Planning

Secretary Brinkley presented the Board with a memorandum and the Ad Hoc Committee on Governance and Strategic Planning’s proposal for implementing governance reform recommendations. Secretary Brinkley reported that assigning the recommendations to Board committees is necessary in order to establish how each recommendation should be carried out and what other considerations may be required. For some recommendations, legislative action would be required.

On a motion made by Ms. Hill and seconded by Mr. Brotman, the Board of Trustees approved the Committee’s recommendations to delegate the recommendations to the respective Committee, as presented.

At 9:54 a.m., on a motion made by Mr. Prouty and seconded by Mr. Norman, the Board voted to recess the meeting and reconvene immediately after the conclusion of the Investment Committee meeting.

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The Board of Trustees for the Maryland State Retirement and Pension System reconvened in the Board Room of the SunTrust Building, 120 East Baltimore Street, 16th Floor Board Room, Baltimore, Maryland beginning at 12:50 p.m.

The Trustees present included:

Nancy Kopp, Chairman, Presiding
Eric Brotman
Jamaal Craddock
Kenneth Haines
David Hamilton

Linda Herman
Charles Johnson (via phone)
Richard Norman
Douglas Prouty
Michael Stafford, Jr.

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary

Assistant Attorneys General present included: Rachel Cohen and Jody Shaw

Consent Agenda

On a motion made by Mr. Norman and seconded by Mr. Craddock, the Board approved the consent agenda, which included:

- January 21, 2020 Open Meeting Board Minutes
- January 21, 2020 Corporate Governance Committee Meeting Summary
- January 21, 2020 Audit Committee Meeting Summary
- February 4, 2020 Administrative Committee Meeting Summary

Recommendation of the
Administrative and
Investment Committees
regarding Adjusting the
Salary Ranges for
Investment Division
Personnel

On a motion made by Mr. Brotman and seconded by Mr. Haines, the Board approved the Committees' recommendation to adjust the salary range structure for employees in the Investment Division by 2.3%, as presented. The adjustment factors will not apply to employees in investment administration, who are eligible for cost of living increases available to other State employees. Trustee Herman opposed the motion.

Executive Director's
Report

Mr. Kenderdine reported on the MPAS+ project, and that the roll-out of the member portal has been a success, thus far. The roll-out is in its second week and staff is reporting that members are using it not only to look at their account information, but also to conduct transactions.

Mr. Kenderdine reported that the Agency's Budget Hearings were on February 11 and 14, and that there were no recommended cuts. The only recommended action requires the Agency to produce an annual report that would reflect the savings to the System resulting from the internal management of assets by the Investment Division.

Mr. Kenderdine informed the Board that staff from Agency's Information Technology unit will be setting up a date in which Trustees will be able to log on, using a link or dial-in instructions, to test the video conferencing feature for the Board's upcoming teleconference meetings.

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On a motion made by Mr. Craddock and seconded by Mr. Norman, the Board voted to meet in a Closed Session, beginning at 12:55 p.m., in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor, for the purpose of:

- a) reviewing the closed session Board minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function and General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosure, namely General Provisions Art., § 3-306(c)(3)(ii), requiring that the minutes of a closed session be sealed and not be open to public inspection;
- b) reviewing the Medical Board reports regarding individual participants' claims for disability retirement benefits, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter namely, General Provisions Art., § 4-312 regarding the prohibition on disclosing retirement records, and General Provisions Art., § 4-329 regarding the prohibition on disclosing medical and personal information; and
- c) considering proposed salary adjustments for certain employees of the Investment Division, pursuant to General Provisions Art., § 3-305(b)(1)(i), to discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of an appointee, employee, or official over whom it has jurisdiction.

CLOSED SESSION

The Trustees present included:

Nancy Kopp, Chairman, Presiding
Eric Brotman
Jamaal Craddock
Kenneth Haines
David Hamilton

Linda Herman
Charles Johnson (via phone)
Richard Norman
Douglas Prouty
Michael Stafford, Jr.

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary

Assistant Attorneys General present included: Rachel Cohen and Jody Shaw (items (a) and (b) only)

On a motion made by Mr. Craddock and seconded by Mr. Norman, the Board returned to open session at 1:02 p.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor.

OPEN SESSION

During closed session, the Board of Trustees discussed and acted on the following matters:

Closed Session Minutes	The Board reviewed and approved the January 21, 2020 closed session minutes.
Medical Board Reports	The Board reviewed and adopted the medical board reports from January 22 and January 30, as well as February 5 and February 13, 2020.

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Recommendation
regarding
Compensation of
Certain Employees of
the Investment
Division

The Board reviewed and approved the recommendations regarding compensation of certain employees of the Investment Divisions, as presented.

Adjournment

There being no further business before the Board, on a motion made by Mr. Hughes and seconded by Mr. Norman, the meeting adjourned at 1:03 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'R. Dean Kenderdine', with a long horizontal stroke extending to the right.

R. Dean Kenderdine
Secretary to the Board